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Morning Ag Markets

Pete Loewen

Cattle complex trade see-sawed around between higher and lower quite a bit yesterday and got caught on the south side of unchanged at the close. At times, things were up over a dollar and down that much as well. All three markets between live cattle, feeders and hogs had a contract or two down more than $1 in the settlements and it was solid red ink in all contract months on the net changes as well.

In the national weekly cattle and beef summary that came out yesterday afternoon, there was finally some friendly news for cattle in the weight data. For the week ending May 31, average live weights were 1319 lbs, which was down 3 lbs from the previous week and only 2 lbs heavier than last year at the same time. Carcass weights were down 1 lb week-to-week and even with last year's number at the same time. That helped trim total beef production down to a more manageable level of 463 mln lbs for the week, just 15 mln larger than last year at the same time. Live and carcass weights for cattle have been towering over year ago levels for a lot of weeks, which pushed total beef production significantly over year ago levels as well. Hopefully the lower trending cash and discounted summer futures in live cattle will keep cattle moving in a timely manner and keep those weights trimmed down to levels similar to last year. If not, we're going to see cash lows closer to the double digits versus the current $110 levels.

Cattle slg.___116,000 (holiday last Monday) -1k ya

Choice Cutout__227.57 +.04

Select Cutout___206.25 +1.45

Feeder Index:___139.23 +3.06

Lean Index.__71.01 +1.00

Pork cutout___77.16 +.84

IA-S.MN direct avg__70.81 +1.48

Hog slg.___ 449,000 +3k ya

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Losses weren't confined to just the meats yesterday, as the grain and oilseed trade rounded out an entire ag sector that was hit with active selling. Corn, soybeans and all three of the wheat markets were down in the double digits. That action was really ugly in corn, especially when the last 5 trading sessions of downward price movement have basically erased two months of hard fought gains. Some analysts are pinning the blame on Trump and China news and granted, there might be a small amount of legitimacy to those comments. Looking at the fund activity for the day though, the credit for the biggest portion of the beat-down goes to the funds, managed money and bot trade. Funds reportedly sold 30,000 corn, 13,000 beans and 13,000 wheat.

Export inspections yesterday were bearish wheat, neutral soybeans and bullish corn. Corn export loadings were 61.2 mln bushels, which is well above the 51.3 mln bushels needed each week between now and the end of the marketing year to hit USDA's export target. Granted, we're still 11% under last year's export pace at this point in time with a projection to end down 3%. All it takes is maintaining numbers similar to this week and it would give corn a chance to exceed the projection though, which is why yesterday's number should be viewed as friendly.

Soybean inspections were 20.5 mln bushels, which is below the 26.6 mln needed each week to meet USDA's projection for the marketing year. Right now, beans loadings are down 8% from last year's pace and USDA has beans pegged to end with a 5% decline.

Wheat export inspections were 12.5 mln bushels and that's the last wheat number for the old crop marketing year since the new marketing year started June 1. That put total cumulative inspections for the marketing year at 876 mln bushels versus a USDA projection at 910 mln. Theoretically, that means the total exports for the year will fall short by 34 mln bushels, potentially increasing old crop ending stocks by a like amount. In reality though, USDA often times miraculously comes up with different numbers than what inspections tally up in total. Because of that funky math, I'm not going to hang my hat on exports not hitting the projection. In theory AND mathematically, they shouldn't. We'll have to wait and see what happens on the next crop report S&D's.

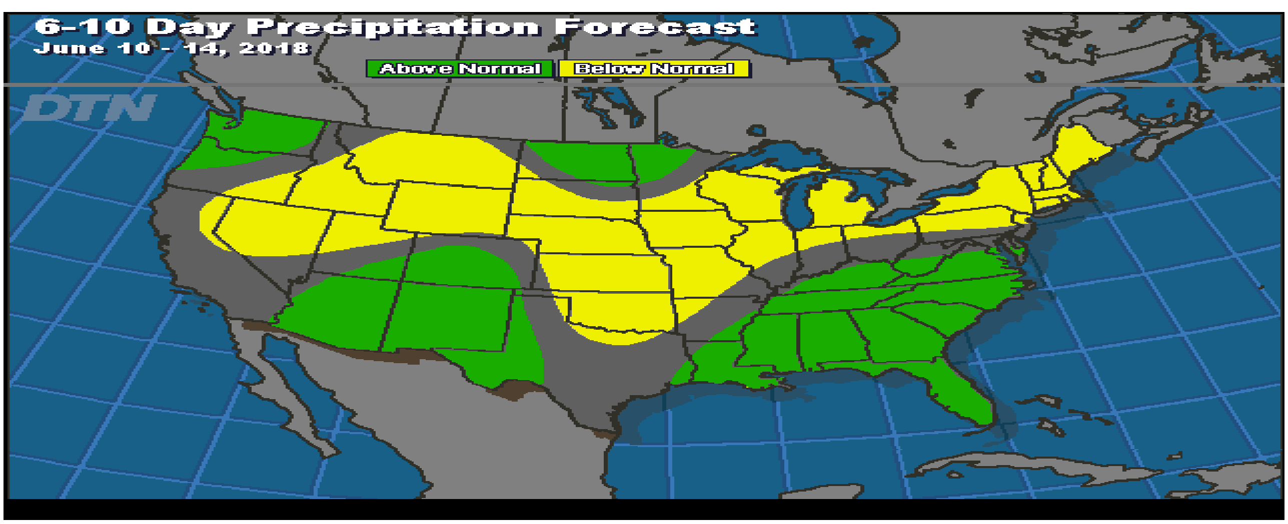
Crop progress and condition data yesterday afternoon showed 97% of the nation's corn crop planted, which is 2 points ahead of both last year and the normal pace. Of the top 18 states, Michigan and Pennsylvania are still way behind and the key Corn Belt states are at or ahead of a normal pace. Emergence was 86% versus 83% normally. Condition ratings dropped 1 point out of g/ex to 78%. Last year they were 68% g/ex and I'll emphasize there is zero credibility to USDA condition ratings in corn or beans after last year's terrible data, but I'm probably going to quote it every week anyway just because there's likely somebody out there that will get upset if I don't.

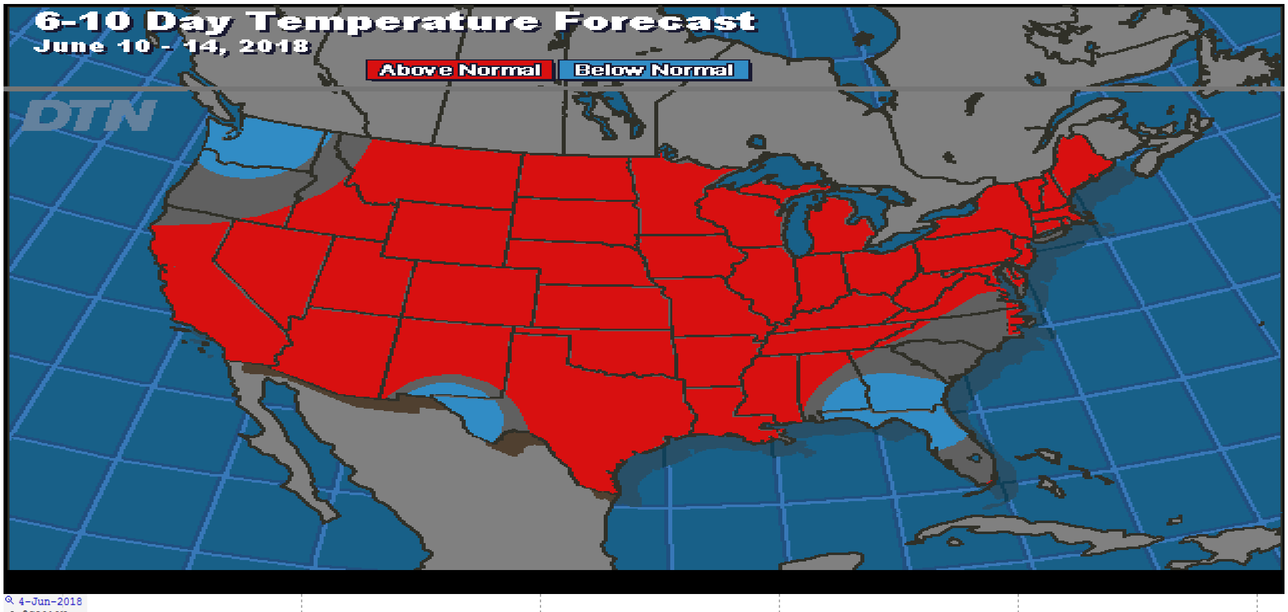
Soybean planting was pegged at 87% complete which is 12 points ahead of the normal pace nationwide. Emergence was 68%, up 21 points in one week and 16 points ahead of the average pace for this time of year. We also got the first soybean rating of the year with 75% rated g/ex and 4% p/vp.

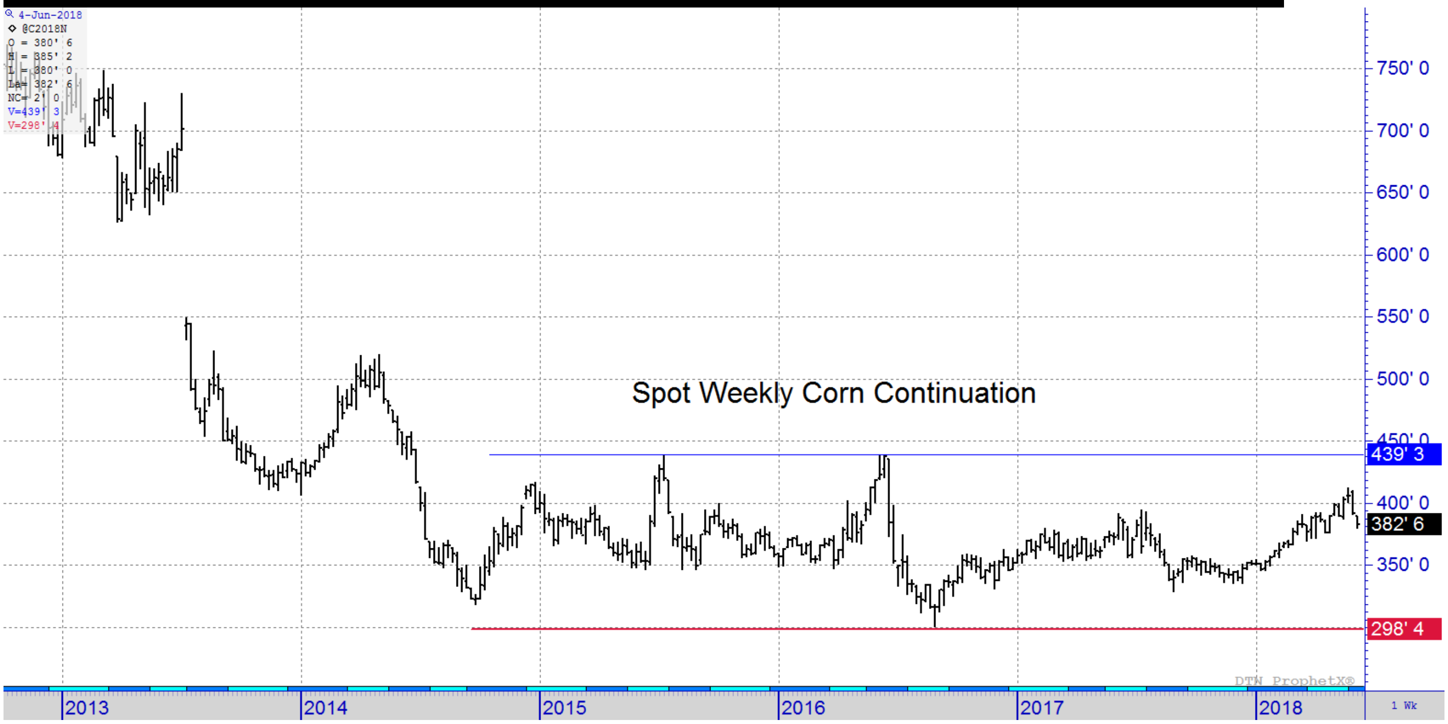
In the wheat data, it appears the much warmer than normal month of May pushed winter wheat maturity at a lightning pace with 83% of the crop headed, which is right in line with the 5-year average. 5% of the crop is harvested versus 4% average for this date. Texas is 34% done versus 24 normally and Oklahoma 7%, which is 2 points behind normal. Kansas wasn't on the board yet, but it will be next week as test cutting pushes north across the border.

G/ex ratings in winter wheat dropped 1 point to 37% g/ex and p/vp gained 1 to 35%. You have to keep in mind, winter wheat ratings include HRW wheat, SRW wheat and White winter wheat. HRW wheat conditions continue to remain terrible and the others aren't nearly as bad. Texas was rated 58% p/vp, Kansas 49% p/vp and Oklahoma 63% p/vp.

6-10 day forecasts last night continued to emphasize the fact we bypassed spring this year and went directly from winter to summer. Temps for the entire Plains and Corn Belt were above to much above normal. Precip was above normal in the Southeast, Southwest and far Northern Plains. Central and Southern Plains, as well as the majority of the Corn Belt was below normal on precip. Good forecast for an active HRW wheat harvest pace, but a bad forecast for corn and soybean development.







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